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November 12, 2003

FEDERAL EXPRESS

Arizona Corporation Commission
ATTN: Docket Control Center
1200 W. Washington
Phoenix, AZ 85007-2996

Re: Rural Network Services, Inc.
Docket No. T-03453A-03-0670
GP File No. 4845-5

To Whom It May Concern:

Enclosed for filing please find an original plus 14 copies of Rural Network Services, Inc.'s Responses to Staff's First Set of Data Requests. Please file the original and return one conformed copy to our office. A self-addressed, stamped envelope is included for your mailing convenience.

Thank you for your assistance with this matter. Please feel free to contact me if you have any questions.

Sincerely,

Heidi C. Meier

Heidi C. Meier
Assistant to Conley E. Ward

Enclosures

FedEx Tracking No. 7910 6098 9650

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Arizona Corporation Commission
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NOV 13 2003

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Arizona Corporation Commission

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Attorneys for Rural Network Services, Inc.
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DOCKETED BY



BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF RURAL NETWORK SERVICES, INC.
FOR AUTHORITY TO PROVIDE
TELECOMMUNICATIONS SERVICES IN
THE STATE OF ARIZONA

Docket No. T-03453A-03-0670

**RURAL NETWORK SERVICES, INC.'S
RESPONSES TO STAFF'S FIRST SET OF
DATA REQUESTS**

COMES NOW Rural Network Services, Inc. ("RNS"), by and through its attorneys of record, Givens Pursley LLP, and hereby responds to Staff's First Set of Data Requests for Rural Network Services, Inc. as follows:

1. Please indicate if RNS is a Foreign or Domestic Corporation. Refer to item (a-7) of the application form.

Response: RNS is an Idaho corporation.

2. Please provide a copy of RNS' Certificate of Good Standing. Refer to item (A-8) of the application form.

Response: In Idaho, the Certificate of Good Standing is incorporated in paragraph three of the Idaho Secretary of State's Certificate of Existence. An updated Certificate of Existence for RNS is attached.

State of Idaho

Office of the Secretary of State

CERTIFICATE OF EXISTENCE

OF

RURAL NETWORK SERVICES, INC.

File Number C-118654

I, BEN YSURSA, Secretary of State of the State of Idaho, hereby certify that I am the custodian of the corporation records of this State.

I FURTHER CERTIFY That the records of this office show that the above-named corporation was incorporated under the laws of Idaho on 13 Mar 1997.

I FURTHER CERTIFY That the corporation is in goodstanding on the records of this office.

Dated: 11 Nov 2003



Ben Yursa
SECRETARY OF STATE

Authentic Access Idaho Document (<http://www.accessidaho.org/public/portal/authenticate.html>)
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3. It was indicated that Cyprus (sic) does not currently offer the services requested in any other states. Because of this, Cyprus (sic) will need to indicate the total number of employees and their total years of combined experience.

Response: RNS apparently misinterpreted this portion of the application form because it does in fact provide the services for which it is seeking Arizona authority in other states. Specifically, RNS has provided wireline competitive local exchange service in Qwest's Weiser exchange in Idaho for approximately three years.

RNS's officers are also officers of Midvale Telephone Exchange, Inc., an Idaho corporation that provides incumbent local exchange telephone service in the states of Idaho, Washington, Oregon, and Arizona. RNS's President (Lane Williams) and its Treasurer (John Stuart) each have more than twenty years experience in the telephone business. RNS's Secretary (Karen Williams) has been employed in the telephone industry for more than five years.

In addition to its officers, RNS has 8.75 full time equivalent (FTE) employees. The attached employee census lists these employees by work description and provides their average years of experience in the telephone industry.

RURAL NETWORK SERVICES, INC.				
Employee Census				
30-Jun-03				
			<u>FTE's</u>	<u>Years of Experience</u>
Customer Service			3.0	2.0
Technical Support			2.5	1.5
(Phone support to access internet)				
Technical Services Manager			1.0	10.0
Accounting			0.25	3.0
In-the-field Technicians			2.0	5.0

Totals			8.75	

4. Please indicate RNS' total assets and equity from January thru June of 2003.

Response: RNS's assets and equity as of January 1, 2003 are listed in the Financial Statements attached to the original application. Its assets and equity as of June 30, 2003 are listed in the attached June 30, 2003 financial statements. Its mid-year 2003 assets were \$779,751 and its mid-year equity was a negative \$557,009.



Travis-Jeffries, P.A.
Certified Public Accountants

John C. Travis, CPA
Larry A. Jeffries, CPA
Lucinda L. Reinke, CPA

RURAL NETWORK SERVICES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2003 AND 2002



Travis-Jeffries, P.A.
Certified Public Accountants

ACCOUNTANT'S REPORT

Rural Network Services, Inc.
Midvale, Idaho

We have compiled the accompanying balance sheet of Rural Network Services, Inc. as of June 30, 2003 and 2002 and the related statement of income and accumulated deficit for the six months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Travis-Jeffries, P.A.

Boise, Idaho
September 22, 2003

RURAL NETWORK SERVICES, INC.

BALANCE SHEET

June 30, 2003 and 2002

ASSETS

	<u>2003</u>	<u>2002</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,193	\$ 39,736
Accounts receivable	326,175	353,393
Inventory	7,114	5,555
Prepaid expenses	<u>48,979</u>	<u>36,979</u>
Total Current Assets	<u>392,461</u>	<u>435,663</u>
PROPERTY AND EQUIPMENT	910,068	750,645
Less accumulated depreciation and amortization	<u>522,778</u>	<u>356,069</u>
Total Property and Equipment	<u>387,290</u>	<u>394,576</u>
Total Assets	<u>\$ 779,751</u>	<u>\$ 830,239</u>

See accountant's report.

LIABILITIES AND STOCKHOLDERS' EQUITY

	<u>2003</u>	<u>2002</u>
CURRENT LIABILITIES		
Accounts payable	\$ 800,186	\$ 656,654
Accrued other taxes	9,643	9,367
Accrued interest payable	14,220	13,993
Current portion of long-term debt	<u>30,854</u>	<u>34,097</u>
Total Current Liabilities	<u>854,903</u>	<u>714,111</u>
LONG-TERM DEBT, net of current portion	419,857	415,214
STOCKHOLDERS' EQUITY (DEFICIT)		
Capital stock	62,000	62,000
Retained deficit	<u>(557,009)</u>	<u>(361,086)</u>
Total Stockholders' Deficit	<u>(495,009)</u>	<u>(299,086)</u>
Total Liabilities and Stockholders' Deficit	<u>\$ 779,751</u>	<u>\$ 830,239</u>

RURAL NETWORK SERVICES, INC.

STATEMENT OF INCOME AND ACCUMULATED DEFICIT

For the Six Months Ended June 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
OPERATING REVENUE		
Basic local network services	\$ 77,006	\$ 60,550
Network access services	185,840	181,934
Internet services	334,332	367,787
Other operating services	7,834	7,712
Uncollectible revenue	<u>(915)</u>	<u>(6,412)</u>
Total Operating Revenue	<u>604,097</u>	<u>611,571</u>
OPERATING EXPENSES		
Plant specific operations	103,878	117,152
Plant nonspecific operations	16,456	30,386
Customer operations	128,840	93,223
Internet operations	246,309	200,024
Corporate operations	32,531	25,870
Depreciation and amortization	<u>57,463</u>	<u>55,744</u>
Total Operating Expenses	<u>585,477</u>	<u>522,399</u>
Income From Operations	18,620	89,172
FIXED CHARGES		
Interest on debt	16,766	17,149
OTHER INCOME (EXPENSE)	<u>(24)</u>	<u>3,307</u>
Net Income	1,830	75,330
ACCUMULATED DEFICIT, Beginning of Period	<u>(558,839)</u>	<u>(436,416)</u>
ACCUMULATED DEFICIT, End of Period	<u>(557,009)</u>	<u>(361,086)</u>

See accountant's report.

5. Please indicate the current value of RNS' Arizona Assets.

Response: The original cost and net book value of RNS's fixed assets in Arizona are listed on the attached schedule. Allocating other current RNS assets on a 50/50 basis between Arizona and Idaho would produce an additional \$196,231 (\$392,461 x 50%) in Arizona assets. RNS's Arizona assets will expand rapidly once RNS receives ACC authority to provide local exchange service.

DATED this 12th day of November 2003.

GIVENS PURSLEY LLP

By


Conley E. Ward

Attorneys for Rural Network Services, Inc.

RURAL NETWORK SERVICES, INC.

Net Book Value - **AZ Only**

Fixed Assets as of

30-Jun-03

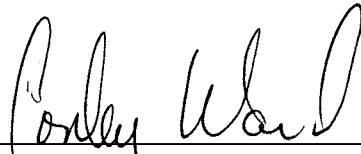
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Digital Electronic Switch	10,178	(1,351)	8,827
Aerial & Buried Cable	1,763	(1,223)	540
Central Office Transport			
Building & Improvements			
Internet Equipment	53,905	(41,466)	12,439
Property Held for Future Use			-
Furniture & Fixtures			
Intangible Assets	24,864	(10,416)	14,449
Totals	<u>90,710</u>	<u>(54,456)</u>	<u>36,255</u>

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 12th day of November 2003, I caused to be served a true and correct copy of the foregoing document by the method indicated below and addressed to the following:

Docket Control Center
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007-2996

☐ U.S. Mail
☐ Hand Delivered
☒ Overnight Mail
☐ Facsimile



Conley E. Ward